

## BUDGET REVIEW COMMITTEE

FEBRUARY 18, 2010

A meeting of the Budget Review Committee was held Thursday, February 18, 2010 at 7:51 p.m. in the Aldermanic Chamber.

Alderman-at-Large David W. Deane, Chair presided.

Members of Committee present:     Alderman-at-Large Mark S. Cookson, Vice Chair  
   Alderman Richard P. Flynn  
   Alderman Mary Ann Melizzi-Golja  
   Alderman Jeffrey T. Cox

Members not in Attendance:        Alderman-at-Large Lori Wilshire  
   Alderman Diane Sheehan

Also in Attendance:                 Alderman-at-Large Barbara Pressly  
   Alderman Kathryn D. Vitale

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### DISCUSSION

Chairman Deane provided for the committee an overview of the city finance and budget system. He explained the major appropriation accounts are the 500 accounts (three digit commodity codes). The review process, when it begins, will start with 501 – Mayor's Office and end at 802 - Wastewater (solid waste (801) and wastewater (802) are enterprise accounts). Wastewater does not accept any tax dollars to operate whereas the solid waste department does, and is, therefore, not a true enterprise account. He remarked the solid waste department has experienced tremendous changes through state and federal laws, which the city has to comply with (lining, capping, monitoring of cells, etc.).

He explained the 599 account the CERF (Capital Equipment Reserve Fund) and covers a variety of different components owned by the city (anything that can be written off starting at \$50,000 depreciation). If funded properly, CERF will cover replacement at completion of depreciation. For solid waste and wastewater there is a SWERF (Solid Waste Equipment Reserve Fund) account, which is also to cover equipment replacement, but is an enterprise account.

Of the two-digit commodity codes, when looking at the 500 accounts, the large lines are the 11-19. Most of the operating budgets are driven by FTE (full-time equivalent) employee costs. Money cannot be transferred into any of the 11 accounts, but can be taken out and moved into other areas for other purposes. All salary lines are put into place when the budget is passed. Any additional monies needed for those lines whether due to contract negotiations, etc. can be added or placed in a contingency account (597). In the past, monies set aside for a particular contract negotiation were identified within a specific line item. That has been changed so that all monies associated with contract negotiations are placed into one contingency account to avoid calling out the sum of monies available for a particular contract negotiation.

Other lines detail expenses related to telecommunications (31) electricity (32), water, etc. All of the three digit 500 and the two 800 accounts will have these lines (there are a few you won't have such as pensions/insurances, which would be located in the wastewater and solid waste detail (801/802).

With regard to 23 (prior year escrows), if unexpended appropriations are left at year they can either; lapse into fund balance, the Mayor has the authority to encumber some of those funds, or the department(s) can bring in request(s) to escrow funds for a stated purpose (original or new purpose). That procedure was set by ordinance. Legislation would be filed towards year end. Each department head would present their request to the Mayor who would then determine what would be included in the legislation. Chairman Deane stated there are some instances where the Mayor may approve or encumber funds (like purpose). An example of escrow legislation was provided.

He commented, with regard to prior year encumbrances (an appropriation that has been approved, services received, but not yet invoiced/paid) (24), there are instances where heavy spending occurs in the month of June (prior to end of fiscal year). As a result, he requests encumbrance reports. There are departments where particular expenses are incurred during the month of June. Transfer and Encumbrance reports are provided to the Board of Aldermen (located in the Legislative Office).

Transfer Reports provide information relative to where the monies were originally budgeted and the account (purpose) to which they were transferred. He explained the school district report includes an explanation of why funds were transferred. The city's report does not, however, can typically be tracked through legislation. He added, other than payroll lines, the budget is a working document.

Burn rate reports are provided by department to highlight percentage expended at a certain point in time. Just as the 500 accounts are the appropriation side of the operating budget, the 600 accounts are the capital improvement side.

An Uncompleted Project Status Report is another report provided (as a result of legislation), which details the status of projects, remaining funds, etc. This provides a good reporting mechanism to ensure compliance with bond(s) and that monies are not left sitting in stagnant accounts, but can be re-directed to other projects.

With respect to Special Revenue Accounts, Chairman Deane explained when grants, etc. are accepted they go into these accounts. Each of these accounts/funds has a specific purpose, which is clearly identified within the resolution creating the account. The funds cannot be used for any other purpose. Alderman Pressly questioned auditing of the accounts. Chairman Deane explained a yearly city audit is performed. There are also GASB reporting/accounting requirements that have to be met.

Alderman Pressly questioned her understanding the independent audit did not capture any of the school issues. Chairman Deane responded he was unclear, although the audit does include the school department. He stated he would have to look at the prior fiscal year's report. When asked, he stated the audit for the previous fiscal year would not begin until approximately the May timeframe.

Alderman Flynn noted the reports can be accessed through the city's web site under Financial Reports, and are updated monthly.

Provided to the committee were copies of previous ordinances. O-08-02 related to increasing the recommended minimum undesignated general fund balance, which is the city's rainy day account. The city's previous CFO had stated the city should maintain between 10-15% of the operating budget in this account as cash on hand. When this legislation was introduced and recommended a minimum balance of 10% be retained, it received a vote of 14/1 in favor. Chairman Deane stated this fund has been used in instances where unexpected large immediate needs arose such as the collapse of the Pennichuck roof. Alderman Pressly questioned the amount of interest gained on the reserve balance. Chairman Deane stated interest is garnered although he was unaware of the exact rate.

O-08-20 related to the Spending Cap (Identifying the Northeast Consumer Price Index – Urban (“CPI-U”) as the CPI-U to be used when calculating the limitation on budget increases under Charter §56-c). He stated there had been a scenario where whatever CPI was desired could be chosen/utilized. The legislation identified the Northeast Consumer Price Index as the designated CPI to be utilized.

O-08-31 related to reserve account analysis. The legislation calls for a reserve account analysis to be presented, by the CFO to the Mayor and Board of Aldermen, on or about September 30<sup>th</sup> and December 31<sup>st</sup> of each year and also with the Mayor’s budget showing the impact of the Mayor’s budget on the city’s various reserve accounts. He stated different trust accounts were created to set money aside in reserves (examples provided were fuel trust account and a salt & sand account). Unexpended appropriations from particular departments were placed into reserve trust accounts to cover unanticipated events.

O-09-64, Regarding the Format of the Combined Annual Municipal Budget and Budget and Supplemental Appropriation Resolutions, details what shall be included within the stated documents.

O-09-70, Preparation of Cost Analysis of Collective Bargaining Agreement Upon Request of Employer Boards, provides employer boards the opportunity to have a cost analysis prepared by the CFO. Alderman Pressly remarked that appears to have been one of the problems with the school budget; that they did not understand the total impact the collective bargaining agreement would have on the overall budget. Chairman Deane further explained the ordinance provides for the opportunity to gain that information, but is not a requirement. Alderman Pressly questioned why receipt of such information would not be required. Chairman Deane explained the city cannot legally place requirements upon the employer boards.

Alderman Vitale questioned whether employer boards have taken advantage of this opportunity since the legislation was introduced in September of 2009. Chairman Deane responded it has not needed to be used. He is hopeful employer boards will take advantage of the opportunity in the future.

He remarked the problem he has seen in the past was with different members of different collective bargaining groups doing their own cost analysis, and in some instances mistakes were made (discrepancy between the cost analysis prepared by the city and the one prepared by the employer board(s)). He felt if they had the opportunity for the CFO to prepare an analysis during the process, they would be provided with the same information that would be given to the Board of Aldermen (as required by ordinance) when the CBA resolution is presented. He added, with the teachers’ contract, it wasn’t the cost analysis that was the problem, it was the fact the board was told they could make up the money in their operating budget without problem. Alderman Cookson questioned, as employer boards change over the years, how is it we ensure they are aware of the ordinance. Chairman Deane responded this Mayor has been actively involved with a lot of the employer boards and discussions have taken place. He suggested a reminder of the existence of the ordinance could be sent, but reiterated the board cannot set policy for employer boards.

Alderman Cookson remarked the discussion was similar to the one on the school district and the question of how one person can be responsible for the ultimate success or failure, and that there are ordinances that people may not be aware of that could provide services. He felt the discussion should take place to determine a process that could be part of opening discussions with employer boards. Chairman Deane suggested each Liaison to employer boards could be provided with a copy of the ordinance.

Chairman Deane stated he believed the budget would be presented to the Board of Aldermen around the 27<sup>th</sup> of April. He has requested Ms. Lovering start coordinating dates for Budget Committee meetings. The schedule will be heavy. The public hearing will be conducted at the North High School and will be scheduled to avoid school holidays, etc. He informed the committee, while the budget process is taking place, any unanswered questions will be forwarded by him, via e-mail, to the CFO, copying the Mayor and the members of the board. The CFO will disseminate the questions to the appropriate individual(s) and provide response(s). That process helps eliminate duplication of effort.

Chairman Deane informed the committee he will provide the list of meeting dates to the Mayor and allow her to plug in the names of the departments that will present on particular evenings to best accommodate the schedules of the individual(s) presenting.

Chairman Deane informed the committee the Mayor's budget can be reduced by the Board of Aldermen, and would require 8 votes for approval. However, if a single penny is added to the budget, it triggers the necessity for 10 votes.

Alderman Pressly thanked Chairman Deane for the overview and the material provided.

GENERAL PUBLIC COMMENT - None

ADJOURNMENT

**MOTION BY ALDERMAN COX TO ADJOURN**  
**MOTION CARRIED**

The meeting was declared closed at 9:06 p.m.

Alderman Richard P. Flynn  
Committee Clerk